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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 001784

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TAGS: [PGOV](#) [KDEM](#) [ECON](#) [JO](#)

SUBJECT: IMPENDING PRICE AND TAX HIKES THREATEN PUBLIC
STANDING OF PRIME MINISTER AND CABINET

REF: A. AMMAN 01452

[1](#)B. 03 AMMAN 07804

Classified By: Charge d'Affaires David Hale for Reasons 1.5 (b), (d)

SUMMARY

[1](#)1. (C) The GOJ has publicly confirmed that it will raise the general sales tax rate and the prices of oil derivatives as early as April. Despite the GOJ's efforts to prepare the country for these increases, Jordanian public opinion remains overwhelmingly opposed to price hikes. Prime Minister Fayez has not yet suffered a drop in his public approval rating, but expectations for his government have already declined since being installed last October. The implementation of price and/or tax increases will cause Fayez and his Cabinet's public standing to take a beating. But we see no signs of wavering in the government, which is committed to current fiscal reforms -- elements of which are conditions for disbursement of U.S. assistance. End Summary.

ASKING THE PUBLIC TO TIGHTEN ITS BELT

[1](#)2. (U) Government spokesperson and minister Asma Khader told journalists March 1 that planned price hikes on some commodities could come into effect as early as April. She repeated government assurances that the April increases would be the last for this year, but did not rule out further hikes in 2005. Minister of Finance Mohammed Abu Hammour announced the same day that an increase in the general sales tax rate from 13 to 16 percent would be enacted in April. On March 4, Khader stated that the government would publish at the end of the month a series of economic measures to raise the price of fuel and other oil derivatives, but that the Cabinet was awaiting a Finance Ministry study before deciding on specific increases. Khader added that the measures would seek to ease the burden on lower-income Jordanians caused by the price hikes.

[1](#)3. (C) After being caught off guard by the strength of initial opposition to its proposed price and tax increases, the GOJ has since attempted to engage MPs and public opinion makers in an attempt to soften public reaction to these belt tightening measures (see ref a). Nevertheless, the Jordanian public remains strongly opposed to any increase in the price of subsidized commodities or taxes. According to a public opinion poll released in February by the Center for Strategic Studies (CSS), 83.4% of 1,379 respondents agreed that the government's reasons for the planned hikes were unjustified. Nearly 91% of this group further agreed that proposed raises in civil servant salaries will not cover the higher cost of living resulting from increased prices.

FAYEZ UNDAMAGED BY PROPOSED HIKES ... FOR NOW

[1](#)4. (U) The same CSS poll attempted to gauge public opinion on the government's performance both among a "national sample" and a sample of 601 public opinion leaders including businessmen, political party and trade union leaders, academics and statesmen. CSS had conducted a similar poll in early November 2003 to measure public expectations for Prime Minister Faisal al-Fayez and his Cabinet ministers after being sworn in on October 28 (see ref b). Among the opinion leaders polled in February, 73% found that Fayez had been successful in his job as PM (compared with 68% who expected him to succeed in November 2003), although only 53% judged his Cabinet ministers as having performed successfully (down from a 60% expectation of success in November). The national sample showed no significant change in its evaluation of the PM's successful performance (63% in February compared to 64% in November 2003). Similarly, the percentage of respondents in the national sample who optimistically thought that Fayez's government would be "successful to a great extent" in shouldering its responsibilities remained between 16% and 17%.

15. (U) With respect to the economy, expectations for success in economic development dropped from 48% to 38% among the national sample since the government's formation, with a similar drop from 50% to 42% among opinion leaders. Expectations for genuine political development took a similar tumble, falling from 55% to 45% among the national sample, and from 60% to 51% among opinion leaders. Comparing the results of opinion polls over the course of the last nine years, CSS Director Fares Braizat noted that there was a persistent and growing lack of public confidence in the ability of successive governments to perform their duties. He warned that this decline could continue if current and future governments did not take measures that substantially stemmed poverty, unemployment and corruption.

COMMENT

16. (C) The GOJ appears resolute in its plans to raise taxes and the prices of oil derivatives, but it is unlikely to raise prices of other subsidized commodities. Public transportation fares may also be subject to an increase. Public opposition could well limit the scope of these increases and/or lead to spending measures (such as civil salary increases) to soften the blow of the hikes. (However, we see no signs of wavering of the GOJ's commitment to the specific economic and fiscal reforms agreed as conditions for disbursement of U.S. assistance). Regardless, Fayez's public standing, which has remained relatively solid over the past months, will almost certainly suffer when the price and tax increases are enacted. The already declining public perception of his Cabinet ministers, some of whom have been vilified in Parliament for alleged corruption, may likewise take a blow. As these officials are not elected and are not directly accountable to Parliament, however, low public popularity will not necessarily lead to changes in the Cabinet, unless it begins to affect King Abdullah's image and ability to implement his agenda for the country.

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HALE